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September 11, 1996

D.L. Wilmesher
J.W. BestR.M. Sanders
P.J. Cundari*RSM's
V. Good letter
from Marty
We want to
follow through
June*
R.J. REYNOLDS
TOBACCO COMPANYMarty Washburn
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Gentlemen:

This is to update you on progress in Wal-Mart since the inception of our 1996 plan. Results are:

1. RJR volume 93 cpw 1st quarter, 111 cpw 2nd quarter. (+19.35%)
2. SOM 22.12% 1st quarter, 22.73% 2nd quarter. (+.61)
3. 2,397,668 cartons sold 1st quarter, 2,871,177 sold 2nd quarter (+473,509)

Factors affecting the numbers:

1. March-April defensive buydown, \$2.00 off match Marlboro, (\$1.016,000 cost)
2. May 6-pack promotion, \$1.25 off, 283,320 units, (\$354,150 cost)
3. June start on carton resets, RJR increased space, inventory
4. June start on endcap promotional vehicles, 250 placed in June
5. RJR participation in 5 Regional Vice President meetings, profitability models, District Manager contacts

I anticipate a positive trend line for 3rd quarter due to continuing carton resets, July 6-pack promotion, single pack resets to 31% of capacity in August, and another \$2.00 buydown event starting August 26. PM's "Quad" promotion may negatively affect final 3rd quarter numbers.

Key The above are key objectives from a "Corporate" viewpoint. The part of the plan that has the greatest longterm potential for growing our business in this account is the "District Manager Program". This is where RJR Regional Sales Managers have assigned sales personnel call responsibility for a Wal-Mart District Manager, responsible for 7-12 stores.

Wal-Mart corporate is very sensitive to store operations and needs. Store Managers, District Managers and Regional Vice Presidents are focused on "day-to-day" business. They want to know what it takes to grow sales and profits. My goal is to facilitate the process by participating in Regional Vice President meetings sharing sales & profitability models demonstrating what the cigarette category does for their stores. To date we have attended 5 meetings and every single RVP directed his District Managers to work with us to help eliminate out-of-stocks, correct distribution gaps, get plan-o-grams correct, correct pricing differences, etc. There are 25+ Regions remaining on my list, however, the word is spreading fast to the other RVP's on our profitability models and word is making it down to the store level in these Regions.

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It is important that we pursue building this "grassroots relationship" with all District Managers. They are key managers in taking positive action against RJR objectives. Initial results from RJR sales representatives working with District Managers are encouraging. Several have approved RJR floor bases on self-service, others have secured product distributions, one District manager was sold on taking single pack fixtures back to self-service after being NSS for months. Another had refused single pack fixtures for 2 years and was sold on ordering to 2 stores in his district.

The bottomline is if our people can build a good relationship with District Managers and Store Managers by talking about profitability, improving customer satisfaction, and keeping them competitive in the marketplace we will become the category managers at the local level and build a consensus for corporate to build on. It also makes good business sense because the Store Manager of today will be the District Manager or Regional Vice President of tomorrow.

Sincerely,

Marty Washburn

cc: J.V. Maguire
R.L. Fiori

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